

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 NSC-05
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TO SECSTATE WASHDC 591

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E. O. 11652: NA
TAGS: EAIR, RP
SUBJECT: CIVAIR: DISCRIMINATORY JET FUEL PRICING

REF: 77 STATE 302565, 77 MANILA 20169

1. DFA HAS SUBMITTED NOTE IN RESPONSE TO OUR PROPOSAL FOR RECIPROCAL EXEMPTION OF NATIONAL TAXES ON JET FUEL. NOTE PROPOSES TO EXPAND COVERAGE TO INCLUDE ALL STATE, LOCAL AND CUSTOMS DUTIES. DFA CONTACT EXPLAINED ORALLY THAT PAL NOW PAYS HAWAII LIQUID TAX OF ONE CENT PER GALLON AND SAN FRANCISCO SALES TAX OF FIVE PERCENT OF FUEL COST. DFA PROPOSAL APPEARS TO INCORPORATE STANDARD EXEMPTION OF TAXATION ON AIRCRAFT FUEL AND STORES.

2. TEXT OF DFA NOTE NO. 01443 DATED JANUARY 11, 1978 FOLLOWS:
BEGIN QUOTE: EXCELLENCY: I HAVE THE HONOR TO REFER TO YOUR EXCELLENCY'S NOTE NO. 755 DATED 23 DECEMBER 1977 PROPOSING AN AGREEMENT BETWEEN THE PHILIPPINES AND THE UNITED STATES FOR THE GRANT OF RECIPROCAL EXEMPTION FROM THE PAYMENT OF TAXES ON REFINED PETROLEUM PRODUCTS BY AIRCRAFT OF UNITED STATES OR PHILIPPINE REGISTRY ENGAGED IN INTERNATIONAL AIR SERVICE.

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I HAVE THE HONOR TO PROPOSE THAT THE RECIPROCAL TAX EXEMPTION BE EXPANDED TO COVER NATIONAL, STATE, AND OTHER LOCAL TAXES AND CUSTOMS DUTIES ON PETROLEUM AND LUBRICANTS, REGULAR EQUIPMENT OF AIRCRAFT, SPARE PARTS AND AIRCRAFT STORES. ACCORDINGLY, THE PROVISION MAY READ AS FOLLOWS:

1. (A) AIRCRAFT OPERATED IN INTERNATIONAL SERVICES BY THE AIRLINE OR AIRLINES OF EITHER CONTRACTING PARTY, AS WELL AS THEIR REGULAR EQUIPMENT, SPARE PARTS, SUPPLIES OF FUELS AND LUBRICANTS AND AIRCRAFT STORES (INCLUDING FOOD, BEVERAGES AND TOBACCO) ON BOARD SUCH AIRCRAFT SHALL BE EXEMPT FROM ALL CUSTOMS DUTIES AND TAXES (FEDERAL, NATIONAL AND LOCAL) INCLUDING INSPECTION FEES, ON ARRIVING IN THE TERRITORY OF THE OTHER CONTRACTING PARTY, PROVIDED SUCH EQUIPMENT, SPARE PARTS AND SUPPLIES REMAIN ON BOARD THE AIRCRAFT UP TO SUCH TIME AS THEY ARE RE-EXPORTED;

(B) SUPPLIES OF FUEL, LUBRICANTS, SPARE PARTS AND REGULAR EQUIPMENT INTRODUCED INTO THE TERRITORY OF ONE CONTRACTING PARTY BY OR ON BEHALF OF AN AIRLINE OR AIRLINES OF THE OTHER CONTRACTING PARTY OR TAKEN ON BOARD THE AIRCRAFT OPERATED BY SUCH AIRLINE OR AIRLINES AND INTENDED SOLELY FOR USE IN THE OPERATION OF INTERNATIONAL AIR SERVICES SHALL BE EXEMPT FROM ALL DUTIES AND TAXES (FEDERAL, NATIONAL AND LOCAL) INCLUDING INSPECTION FEES, IMPOSED IN THE TERRITORY OF THE FIRST CONTRACTING PARTY, EVEN WHEN THESE SUPPLIES ARE TO BE USED ON THE PARTS OF THE JOURNEY PERFORMED OVER THE TERRITORY OF THE CONTRACTING PARTY IN WHICH THEY ARE TAKEN ON BOARD. THE MATERIALS REFERRED TO ABOVE MAY BE REQUIRED TO BE KEPT UNDER CUSTOMS SUPERVISION OR CONTROL;

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(C) THE REGULAR AIRBORNE EQUIPMENT, SPARE PARTS, AIRCRAFT STORES AND SUPPLIES OF FUELS AND LUBRICANTS RETAINED ON BOARD THE AIRCRAFT OF EITHER CONTRACTING PARTY MAY BE UNLOADED IN THE TERRITORY OF THE OTHER CONTRACTING PARTY ONLY WITH THE APPROVAL OF THE CUSTOMS AUTHORITIES OF THAT PARTY, WHO MAY REQUIRE THAT THOSE MATERIALS AND SUPPLIES BE PLACED UNDER THEIR SUPERVISION UP TO SUCH TIME AS THEY ARE RE-EXPORTED OR OTHERWISE DISPOSED OF IN ACCORDANCE WITH CUSTOMS REGULATIONS.

IF THE FOREGOING PROVISION IS ACCEPTABLE TO THE UNITED STATES GOVERNMENT, AN EXCHANGE OF NOTES MAY BE ARRANGED BETWEEN THE TWO GOVERNMENTS.

ACCEPT, EXCELLENCY, THE RENEWED ASSURANCES OF MY HIGHEST CONSIDERATION.

(SIGNED) CARLOS P. ROMULO END QUOTE.
NEWSOM

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Message Attributes

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